

# **ACCORD ENERGY (TRADING) LIMITED**

## **Report and Financial Statements**

**for the year ended**

**31 December 2006**



**Registered number: 02877397**

# **Accord Energy (Trading) Limited**

## **Directors' report**

The directors present their report and the audited financial statements of Accord Energy (Trading) Limited ("the Company") for the year ended 31 December 2006

## **Business review and principal activities**

The principal activity of the Company in the year was providing agency and arranging services to Accord Energy Limited for transactions in gas, electricity and related products including financially-settled instruments. Both the level of business during the year and the financial position of the Company at the year end were in line with expectations and the Directors believe that the present level of activity will be sustained in 2007.

## **Future developments**

The Directors expect the Company to continue to provide agency and arranging services to Accord Energy Limited for the foreseeable future.

## **Financial results and dividends**

The profit and loss account is set out on page 7. Turnover in the year amounted to £7,650,000 (2005: £4,674,000). The Company reported profit on ordinary activities after taxation of £696,000 (2005: £425,000). Retained earnings transferred to reserves were £696,000 (2005: £425,000). No dividends were paid or proposed in the year ended 31 December 2006 (2005: £nil).

## **Principal risks and uncertainties and key performance indicators (KPI's)**

The key business risk and uncertainty affecting the management of the business and the execution of the company strategy is the risk of non-compliance with the Financial Services Authority regulatory requirements.

The company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Accord Energy (Trading) Ltd.

## **Financial risk management**

The company's operations expose it to a number of financial risks. Given the size and nature of the company these risks are managed by the finance department in accordance with Group guidelines set by Centrica plc. The principal financial risk facing the company is credit risk, which arises on intercompany balances and its bank deposits. Bank deposits are only held with financial institutions which have been approved by Centrica plc.

## **Directors**

The following served as Directors during the year:

Mr A Le Poidevin (appointed 21 April 2006)

Mr I A Mannan

Mr I Wood

Mr J S Ulrich

Mr N Dunn (resigned 21 April 2006)

# Accord Energy (Trading) Limited

## Directors' report (continued)

### Directors' interests in shares

(As defined by section 325 of the Companies Act 1985)

At no time during the year ended 31 December 2006 did any Director have any interests in the shares of the Company or any other company within the Centrica group, except for interests in, and options over, the shares of the ultimate parent company, Centrica plc

Details of the interests of Mr J S Ulrich in the shares, and options over shares, in the ultimate parent company, Centrica plc, are shown in the 2006 Centrica plc Annual Report and Accounts

The directors with interests in and options over the ordinary shares of Centrica plc at the year end are as follows

### Beneficial interest in ordinary shares

|                  | As at<br>31 December<br>2005* | Acquired<br>during the<br>year | Disposed<br>during the<br>year | As at 31<br>December<br>2006 |
|------------------|-------------------------------|--------------------------------|--------------------------------|------------------------------|
| Mr A Le Poidevin | 109,587                       | -                              | -                              | 109,587                      |
| Mr I Mannan      | -                             | 34,556                         | 34,556                         | -                            |
| Mr I Wood        | 249,397                       | 28,613                         | 68,010                         | 210,000                      |

\* or at date of appointment if later

### Centrica Share Incentive Plan

|                  | As at<br>31 December<br>2005* | Options<br>granted<br>during the<br>year | Options<br>exercised<br>during the<br>year | Options<br>lapsed<br>during the<br>year | As at 31<br>December<br>2006 |
|------------------|-------------------------------|--|--|---|------------------------------|
| Mr A Le Poidevin | 1,197                         | 530                                      | -  | -                                       | 1,727                        |
| Mr I Wood        | 2,765                         | 739                                      | -  | -                                       | 3,504                        |

\* or at date of appointment if later

### Centrica Sharesave scheme

|                  | As at<br>31 December<br>2005* | Options<br>granted<br>during the<br>year | Options<br>exercised<br>during the<br>year | Options<br>lapsed<br>during the<br>year | As at 31<br>December<br>2006 |
|------------------|-------------------------------|--|--|---|------------------------------|
| Mr A Le Poidevin | 9,318                         | -  | -  | -                                       | 9,318                        |
| Mr I A Mannan    | 8,823                         | -  | 8,823                                      | -                                       | -                            |
| Mr I Wood        | 15,336                        | -  | -  | -                                       | 15,336                       |

\* or at date of appointment if later

# Accord Energy (Trading) Limited

## Directors' report (continued)

### Long-term Incentive scheme (LTIS)

|                  | As at<br>31 December<br>2005* | Allocations<br>made<br>during the<br>year | Allocations<br>vested during<br>the year | Allocations<br>lapsed<br>during the<br>year | As at 31<br>December<br>2006 |
|------------------|-------------------------------|---|--|---|------------------------------|
| Mr A Le Poidevin | 216,268                       | -   | -  | -   | 216,268                      |
| Mr I A Mannan    | 132,917                       | 52,304                                    | 43,616                                   | 14,539                                      | 127,066                      |
| Mr I Wood        | 153,486                       | 65,029                                    | 48,498                                   | 16,167                                      | 153,850                      |

\* or at date of appointment if later

Total allocations as at 31 December 2006 shown above include allocations of shares that are subject to challenging performance conditions. Details of the operation of the LTIS are contained in the 2006 Centrica plc Annual Report and Accounts. If, and to the extent that, the performance conditions are met, the relevant number of shares will be released to the Directors at the Trustee's discretion as soon as practicable thereafter.

### Centrica Executive Share Option scheme

|                  | As at<br>31 December<br>2005* | Options<br>granted during<br>the year | Options<br>exercised<br>during the year | As at<br>31 December<br>2006 |
|------------------|-------------------------------|---------------------------------------|---|------------------------------|
| Mr A Le Poidevin | 775,065                       | -                                     | 371,843                                 | 403,222                      |
| Mr I A Mannan    | 328,687                       | 65,380                                | 184,822                                 | 209,245                      |
| Mr I Wood        | 438,877                       | 86,706                                | 118,178                                 | 407,405                      |

\* or at date of appointment if later

Options were granted under the terms of the ultimate parent company's Sharesave scheme and ESOS, and allocations made under the terms of the LTIS. Details of these schemes and the Share Incentive Plan can be found in the 2006 Centrica plc Annual Report and Accounts, copies of which can be obtained from [www.centrica.com](http://www.centrica.com). The middle market price of a Centrica plc ordinary share on the last day of trading of 2006 (29 December) was 354.50 pence. The range during the year was 359.75 pence (high) and 248.25 pence (low). As at 31 December 2006, 12,255 shares and 4,009 shares (1 January 2006: nil and 2,591) were held by the respective Trustees of employee share trusts for the purposes of the Long Term Incentive Scheme and the Share Incentive Plan. As with other employees, the Directors are deemed to have a potential interest in those shares, being beneficiaries under the trust. There were no contracts of significance during or at the end of the financial year to which the Company is a party and in which any director is or was materially interested.

### Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard 8 'Related party disclosures' from disclosure of transactions with Centrica plc or other companies in the Centrica group. There have been no disclosable related party transactions during the year (2005: £nil).

### Creditor payment policy

The Company aims to pay all its creditors (of which none were trade creditors) promptly within the agreed contract terms.

### Political and charitable donations

The Company made no political or charitable donations during the year (2005: £nil).

# **Accord Energy (Trading) Limited**

## **Directors' report (continued)**

### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc, and was in place throughout the year under review

### **Statement of directors' responsibilities**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes in accounting policy detailed in Note 2. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

In accordance with section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to reappoint auditors annually, and PricewaterhouseCoopers LLP will therefore continue in office.

This report was approved by the Board on 29 March 2007

for and on behalf of  
Centrica Secretaries Limited  
Company Secretary



**Registered Office**  
Millstream  
Maidenhead Road  
Windsor  
Berkshire  
SL4 5GD

# Accord Energy (Trading) Limited

## Independent auditors' report to the members of Accord Energy (Trading) Limited

We have audited the financial statements of Accord Energy (Trading) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

27 March 2007

# Accord Energy (Trading) Limited

## Profit and Loss Account

For the year ended 31 December 2006

|  | Note | Year ended<br>31 Dec 2006<br>£ 000 | Year ended<br>31 Dec 2005<br>£ 000 |
|--|------|------------------------------------|------------------------------------|
| <b>Turnover</b>                                      |      | 7,650                              | 4,674                              |
| Cost of sales  | 1    | <u>(6,954)</u>                     | <u>(4,249)</u>                     |
| <b>Profit on ordinary activities before taxation</b> |      | 696                                | 425                                |
| Tax charge on profit on ordinary activities          | 4    | <u>-</u>                           | <u>-</u>                           |
| <b>Profit on ordinary activities after taxation</b>  |      | 696                                | 425                                |
| <b>Retained profit transferred to reserves</b>       | 8    | <u>696</u>                         | <u>425</u>                         |

All gains or losses for the year have been derived from continuing operations

There were no recognised gains or losses for the financial year other than as stated above

The related notes on pages 9 to 11 form part of these financial statements

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalent

# Accord Energy (Trading) Limited

## Balance Sheet as at 31 December 2006

|  |      | 2006         | *as restated<br>2005 |
|--|------|--------------|----------------------|
|  | Note | £ 000        | £ 000                |
| <b>Current assets</b>                                  |      |              |                      |
| Debtors (amounts falling due within one year)          | 5    | 70           | 61                   |
| Cash at bank and in hand                               |      | 1,901        | 1,214                |
|  |      | <u>1,971</u> | <u>1,275</u>         |
| <b>Creditors (amounts falling due within one year)</b> | 6    | -            | -                    |
| <b>Net current assets</b>                              |      | <u>1,971</u> | <u>1,275</u>         |
| <b>Total assets less current liabilities</b>           |      | <u>1,971</u> | <u>1,275</u>         |
| <b>Net assets</b>                                      |      | <u>1,971</u> | <u>1,275</u>         |
| <b>Capital and reserves</b>                            |      |              |                      |
| Called up share capital                                | 7    | 850          | 850                  |
| Profit and loss account                                | 8    | 1,121        | 425                  |
|  |      | <u>1,971</u> | <u>1,275</u>         |
| <b>Shareholders' funds</b>                             | 9    | <u>1,971</u> | <u>1,275</u>         |

The financial statements were approved and authorised for issue by the Board of Directors on 29/3/07 and were signed on its behalf by



**Ian Wood**  
Director

The related notes on pages 9 to 11 form part of these financial statements

\* As detailed in the Changes in Accounting Policy in Note 2



# Accord Energy (Trading) Limited

## Notes to the accounts

### 1 Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), all of which have been consistently applied with the exception of the changes in accounting policy detailed in Note 2. The principal accounting policies are set out below.

#### Exemptions

As the Company's voting rights are controlled by Centrica plc (the ultimate parent company), and the Company's shares are not quoted on a recognised public exchange, the Company has taken advantage of the exemptions within:

- (a) Financial Reporting Standard 1 'Cash flow statements' from presenting a cash flow statement,
- (b) Financial Reporting Standard 8 'Related party disclosures' from disclosure of transactions with Centrica plc or other companies in the Centrica Group.

#### Turnover

Turnover, which excludes value added tax, represents the value of amounts charged to Accord Energy Limited for services provided, which represents a mark up of 10% on costs incurred. All of the turnover arises in the United Kingdom.

#### Cost of sales

Cost of sales relate to costs borne by Accord Energy Limited in relation to regulated activities. These costs are then recharged to the Company. Costs recharged to the Company contain employee costs for individuals who are employed by Accord Energy Limited. Details of recharged employee costs are included in note 3. The Company has no employees (2005: nil).

Auditor's remuneration of £9,500 (2005: £9,500) is borne by the immediate parent, Accord Energy Limited, and is not recharged.

#### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### 2 Changes in accounting policy

As at 31 December 2005 the intercompany balances between Accord Energy (Trading) Ltd and Accord Energy Ltd were shown gross. These amounts have been restated in order to show the presentation net as the intercompany amounts are settled net in practice and there is a service level agreement between the companies stating that amounts shall be settled net. The effect as at 31 December 2005 is to reduce both intercompany debtors and creditors by £616,000.

# Accord Energy (Trading) Limited

## Notes to the accounts (continued)

### 3 Directors' and employee information

The company has no employees. Costs attributed to employees seconded to the Company under the terms of the service level agreement with Accord Energy Limited are £3,916,000 (2005: £2,800,000) and are included within a management charge. The remuneration of those employees is included within the financial statements of Accord Energy Limited.

None of the Directors received any remuneration for his services to the Company during the year.

### 4 Taxation

|                                 | 2006<br>£ 000 | 2005<br>£ 000 |
|---------------------------------|---------------|---------------|
| <b>The tax charge comprises</b> |               |               |
| UK corporation tax              | -             | -             |
| Deferred tax                    | -             | -             |

The differences between total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

|  | 2006<br>£ 000 | 2005<br>£ 000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 696           | 425           |
| UK corporation tax at 30%                | 209           | 128           |
| Tax on imputed interest                  | -             | 9             |
| Group relief for nil consideration       | (209)         | (137)         |
| Total current tax                        | -             | -             |

### 5 Debtors (amounts falling due within one year)

|                                    | 2006<br>£ 000 | *as restated<br>2005<br>£ 000 |
|------------------------------------|---------------|-------------------------------|
| Amounts owed by group undertakings | 70            | 61                            |
|                                    | 70            | 61                            |

\* As detailed in the Changes in Accounting Policy in Note 2

### 6 Creditors (amounts falling within one year)

|                                    | 2006<br>£ 000 | *as restated<br>2005<br>£ 000 |
|------------------------------------|---------------|-------------------------------|
| Amounts owed to group undertakings | -             | -                             |
|                                    | -             | -                             |

\* As detailed in the Changes in Accounting Policy in Note 2

# Accord Energy (Trading) Limited

## Notes to the accounts (continued)

### 7 Called up share capital

|  | 2006<br>£ 000 | 2005<br>£ 000 |
|--|---------------|---------------|
| <b>Authorised share capital</b>  |               |               |
| As at 1 January  | 850           | -             |
| Issued in the year   | -             | 850           |
| 850,000 ordinary shares of £1 each as at 31 December                     | <u>850</u>    | <u>850</u>    |
|  |               |               |
|  | 2006<br>£ 000 | 2005<br>£ 000 |
| <b>Allotted and fully paid share capital</b>                             |               |               |
| As at 1 January  | 850           | -             |
| Allotted in the year (849,999 shares for an aggregate value of £849,999) | -             | 850           |
| 850,000 ordinary shares of £1 each as at 31 December                     | <u>850</u>    | <u>850</u>    |

### 8 Reserves

|  | 2006<br>£ 000 | 2005<br>£ 000 |
|--|---------------|---------------|
| <b>Profit and loss account</b>                   |               |               |
| As at 1 January                                  | 425           | -             |
| Transfer to profit and loss account for the year | 696           | 425           |
| As at 31 December                                | <u>1,121</u>  | <u>425</u>    |

### 9 Movements in shareholders' funds

|   | 2006<br>£ 000 | 2005<br>£ 000 |
|---|---------------|---------------|
| <b>Shareholders' funds as at 1 January</b>                | 1,275         | -             |
| Share capital issued                                      | -             | 850           |
| Profit on ordinary activities after taxation for the year | 696           | 425           |
| Shareholders' funds as at 31 December                     | <u>1,971</u>  | <u>1,275</u>  |

### 10 Ultimate parent company

The Directors regard Accord Energy Limited as the immediate parent company, and Centrica plc, a company registered in England and Wales, as the ultimate parent company as at 31 December 2006. Centrica plc is the only company to consolidate the accounts of the Company and copies of the Annual Report and Accounts of Centrica plc may be obtained from [www.centrica.com](http://www.centrica.com)